

AUDITED FINANCIAL STATEMENTS
CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
LELAND, NORTH CAROLINA
JUNE 30, 2022

Board of Trustees

Robert Spencer
Chairman

Suzanne West
Trustee

Melissa S. Gott
Trustee

W. Chad Adams
Trustee

Colleen Combs
Trustee

Theodore Bodenschatz
Trustee

Officers

Baker A. Mitchell, Jr.
Secretary

Mark Dudeck
Treasurer

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
TABLE OF CONTENTS
JUNE 30, 2022

	<u>EXHIBIT</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditors' Report		7
Management's Discussion and Analysis		9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	26
Statement of Activities	2	27
Fund Financial Statements:		
<u>Governmental Funds</u>		
Balance Sheet	3	28
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	30
<u>Proprietary Funds</u>		
Statement of Net Position	6	31
Statement of Revenues, Expenses, and Changes in Fund Net Position	7	32
Statement of Cash Flows	8	33
Notes to the Financial Statements		34
Required Supplementary Information		
<u>Non-major Governmental Subfunds</u>		
Balance Sheet	1	53
Statement of Revenues, Expenditures and Changes in Subfund balance	2	54

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
TABLE OF CONTENTS
JUNE 30, 2022

	<u>STATEMENT</u>	<u>PAGE</u>
<u>Combining Statements</u>		
<u>Classical Charter Schools of Leland</u>		
Combining Balance Sheet by Governmental Subfund	3	56
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	4	57
<u>Classical Charter Schools of Whiteville</u>		
Combining Balance Sheet by Governmental Subfund	5	58
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	6	59
Combining Statement of Net Position by Proprietary Subfund	7	60
Combining Statement of Revenues, Expenditures, and Changes in Subfund Net Position	8	61
Combining Statement of Cash Flows by Proprietary Subfund	9	62
<u>Classical Charter Schools of Southport</u>		
Combining Balance Sheet by Governmental Subfund	10	63
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	11	64
<u>Classical Charter Schools of Wilmington</u>		
Combining Balance Sheet by Governmental Subfund	12	65
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	13	66
Combining Statement of Net Position by Proprietary Subfund	14	67
Combining Statement of Revenues, Expenditures, and Changes in Subfund Net Position	15	68
Combining Statement of Cash Flows by Proprietary Subfund	16	69

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
TABLE OF CONTENTS
JUNE 30, 2022

	<u>SCHEDULE</u>	<u>PAGE</u>
 <u>Budget to Actual Schedules</u>		
All Funds Except Federal Subfunds and Enterprise Subfunds	1	71
Federal Grants	2	72
School Food Service	3	73
Before and After School	4	74
 COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		76
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in accordance with Uniform Guidance and the State Single Audit Implementation Act		78
Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control over Compliance in accordance with Uniform Guidance and the State Single Audit Implementation Act		80
Schedule of Findings and Questioned Costs		82
Corrective Action Plan		84
Summary Schedule of Prior Years' Audit Findings		85
Schedule of Expenditures of Federal and State Awards		86

PM&P

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Independent Auditors' Report

To the Board of Trustees
Classical Charter School of America, Inc.
Leland, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Classical Charter School of America, Inc., as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Classical Charter School of America, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Classical Charter School of America, Inc. as of June 30, 2022, and the respective changes in financial position for the year ended June 30, 2022 and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Classical Charter School of America, Inc.'s basic financial statements. The combining and individual subfund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements.

The combining and individual subfund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual subfund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 on our consideration of Classical Charter School of America, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Classical Charter School of America, Inc.'s internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina
November 30, 2022



Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Classical Charter Schools of America

Classical Charter Schools of America, formally Charter Day School, Inc., is a 501c3 nonprofit corporation that currently holds charters for four tuition-free schools which are open to all eligible children in North Carolina: Classical Charter Schools of Leland, Classical Charter Schools of Southport, Classical Charter Schools of Whiteville, and Classical Charter Schools of Wilmington.

Classical Charter Schools of America is under the direction of the Board of Trustees which is made up of active community volunteers who are responsible for

the oversight and operation of the corporation.

Our Foundation: The Three Laws

Law 1— Reward good behavior,
you'll get more of it.

Law 2— Teach to mastery;
every child will learn.

Law 3— Watch the children,
*if they are not learning
or behaving, you're not
following the first two laws.*



Management's Discussion and Analysis

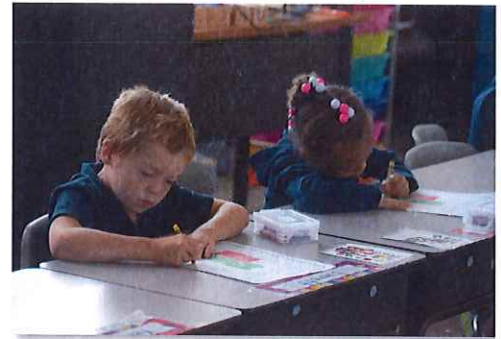
Classical Charter Schools of America

June 30, 2022



School Features

- Tuition-free, open enrollment charter schools.
- 4 Campuses
 - **Classical Charter Schools of Leland:** K-8th. Picturesque, 66-acre campus in Brunswick County, just fifteen minutes from downtown Wilmington.
 - **Classical Charter Schools of Southport:** K-6th. Beautiful, 45-acre campus in Brunswick County, conveniently located off Hwy 211 between Southport and Supply.
 - **Classical Charter Schools of Whiteville:** K-8th. Scenic, 142-acre campus in Columbus County, just five minutes from downtown Whiteville.
 - **Classical Charter Schools of Wilmington:** K-5th. Located in the newly renovated, historic Peabody building in the heart of downtown Wilmington.
- Diverse student population, including 15.6% special needs students, 35.1% non-white students, and 36.6% economically disadvantaged students.
- Uses research-based, proven Direct Instruction teaching method.
- Proven, rigorous Classical curriculum.
- Offers Latin, Public Speaking, Debate, and Drama components.
- Accelerated learning program reviews individual student performance data to promote qualifying students to advanced studies on a subject-by-subject basis.
- Prioritizes the use of positive reinforcement in teaching and classroom management.
- Year-round schedule provides quarterly, three-week breaks for students.
- Student uniforms and professional teacher dress requirements.
- On-site educational before and after school care program.
- Outstanding, varied extracurricular activities, including current, 10-time National Champion Cheer squads and a 9-time State Champion Archery team.
- Various clubs, in addition to signature, annual "FASTAR" and "History Bowl" academic competitions.
- Intensive new-hire training.
- Continuous teacher professional development provided by instructional support coaches and curriculum specialists, who evaluate and optimize instruction.
- 2016 recipient of the National Institute for Direction Instruction Wesley Becker Excellent School Award.



Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Renaming

The Charter Day School network, anticipating further growth and heightened enrollment demands, adopted a new name reflecting the schools' unique classical curriculum and emphasis on civic virtue: Charter Day School, Inc. became Classical Charter Schools of America, Inc.

All four schools were renamed. Charter Day School became Classical Charter Schools of Leland, Columbus Charter School became Classical Charter Schools of Whiteville, Douglass Academy became Classical Charter Schools of Wilmington and South Brunswick Charter School became Classical Charter Schools of Southport. All schools will continue to be under the central control of Classical Charter Schools of America sharing the same management team and are using the same time-tested, field-proven classical curricula and instructional methods.

Academic Performance
2021-2022

Classical Charter Schools of America were part of the state-mandated standardized North Carolina End of Grade tests. If the four Classical Charter Schools of America were combined as a single district, the Classical Charter Schools of America schools would have ranked 30th out of 116 North Carolina districts in the 2021-2022 End of Grade testing.

Classical Charter Schools of Leland EOG Results 2021-2022

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Leland	62.8%	64.7%	57.4%	75.0%
North Carolina	51.4%	48.4%	49.8%	68.3%
Brunswick Co.	53.9%	49.3%	54.5%	69.9%
New Hanover Co.	55.7%	52.7%	55.7%	72.9%

Classical Charter Schools of Leland and Classical Charter Schools of Southport joined the district's Union Elementary, Southport Elementary, and Town Creek Elementary as the top five highest-scoring elementary schools in Brunswick County.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Classical Charter Schools of Leland's EOG performance average of 62.8% exceeds the state average (51.4%) by 11.4 percentage points and the county average (53.29%) by 8.9 percentage points. Classical Charter Schools of Leland is a Title 1 school, which means that 40% or more of its students are economically disadvantaged.

Classical Charter Schools of Southport EOG Results 2021-2022

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Southport	65.0%	61.2%	66.1%	76.4%
North Carolina	51.4%	48.4%	49.8%	68.3%
Brunswick Co.	53.9%	49.3%	54.5%	69.9%

Classical Charter Schools of Southport and Classical Charter Schools of Leland joined the district's Union Elementary, Southport Elementary, and Town Creek Elementary as the top five highest-scoring elementary schools in Brunswick County.

Classical Charter Schools of Southport's EOG performance average of 65.0% exceeds the state average (51.4%) by 13.6 percentage points and the county average (53.9%) by 11.1 percentage points. Classical Charter Schools of Southport is a Title 1 school, which means that 40% or more of its students are economically disadvantaged.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Classical Charter Schools of Whiteville EOG Results 2021-2022
Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Whiteville	43.8%	43.5%	40.2%	57.7%
Columbus Co.	42.3%	39.7%	40.8%	58.0%
Bladen Co.	35.2%	31.4%	29.2%	53.4%
Robeson Co.	31.1%	27.2%	27.5%	50.5%
North Carolina	51.4%	48.4%	49.8%	68.3%

Classical Charter Schools of Whiteville's performance average exceeded Columbus County, Bladen County, and Robeson County performance averages. The Bladen County and Robeson County districts are included in this comparison, as Classical Charter Schools of Whiteville serves significant populations of students residing in these counties.

Classical Charter Schools of Whiteville's EOG performance average is 43.8%. The state performance average is 51.4%. The Columbus, Bladen, and Robeson districts' performance averages are 42.3%, 35.2%, and 31.1% respectively. Classical Charter Schools of Whiteville is a Title 1 school, which means that 40% or more of its students are economically disadvantaged.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Classical Charter Schools of Wilmington EOG Results 2021-2022

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Wilmington	48.2%	40.8%	46.9%	83.3%
Snipes Academy	27.1%	22.5%	29.0%	34.8%
Freeman School	9.7%	9.2%	6.2%	23.7%
Gregory	44.6%	45.8%	41.0%	54.4%
D.C. Virgo Lab School	12.9%	13.4%	8.2%	23.5%
North Carolina	51.4%	48.4%	49.8%	68.3%
New Hanover Co.	55.7%	52.7%	55.7%	72.9%

Classical Charter Schools of Wilmington's achievement score of tests passed, including a large number of transfer students, is 48.2% on the Common Core End-Of-Grade tests. For comparison, the four neighboring elementary schools—Rachel Freeman, Snipes Academy, D.C. Virgo and Gregory—reveal that 9.7%, 27.1%, 12.9% and 44.6% of tests were passed, respectively.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022

As management of Classical Charter Schools of America, we offer readers of Classical Charter Schools of America's audited financial statements this narrative overview and analysis of the financial activities of Classical Charter Schools of America for the fiscal year ended June 30, 2022. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights

Classical Charter Schools of America has four replicate charter schools. The following financial highlights are reflective of Classical Charter Schools of America.

- On December 17th, 2020, Classical Charter Schools of America issued and sold \$37,055,000 of "Public Finance Authority Educational Facilities Revenue Bonds" with B.C. Ziegler and Company as the Underwriter. The proceeds of these Series 2020 bonds were used to: (a) finance the acquisition of certain land and charter educational facilities in Brunswick County (Classical Charter Schools of Leland) and Columbus County (Classical Charter Schools of Whiteville); (b) refinance the long-term debt held by First Bank that was used to build the elementary school in South Brunswick (Classical Charter Schools of Southport); (c) finance future capital projects at the Leland, Whiteville and Southport campuses; (d) fund a debt service reserve fund for the Series 2020 Bonds; and (e) pay for the costs of issuance of the Series 2020 Bonds.
- Cumulatively, the Classical Charter Schools of America family of charter schools experienced an enrollment decrease of 0.4% from the 2020 - 2021 academic year to the 2021 - 2022 academic year, with an enrollment decrease from 2,513 students to 2,503 students. The Classical Charter Schools of America family of charter schools had an increase in its student enrollment at all four schools for the 2022 - 2023 school year by 108 students, a 3.9% increase.
 - ***Classical Charter Schools of Leland*** enrollment decreased 64 students with the 2021 - 2022 school year enrollment of 973 students. Enrollment for the 2022 - 2023 school year increased by 29 students for a total of 1,002.
 - ***Classical Charter Schools of Southport*** increased 83 students with the 2021 - 2022 school year enrollment of 562 students. Enrollment for the 2022 - 2023 school year increased by 53 students for a total of 615.
 - ***Classical Charter Schools of Whiteville*** enrollment decreased 11 students with the 2021 - 2022 school year enrollment of 856 students. Enrollment for the 2022 - 2023 school year increased by 14 students for a total of 870.
 - ***Classical Charter Schools of Wilmington*** enrollment decreased 14 students with the 2021 - 2022 school year enrollment of 112 students. Enrollment for the 2022 - 2023 school year increased by 12 students for a total of 124.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



- The assets of Classical Charter Schools of America exceeded its liabilities at the close of the fiscal year by \$9,203,073 (net assets).
- The company's total net assets decreased slightly by \$43,226, due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, Classical Charter Schools of America's governmental funds reported combined ending fund balances of \$15,113,634, a decrease of \$6,664,886 in comparison with the prior year.
- As of the close of the current fiscal year, Classical Charter Schools of America fixed assets net of depreciation of \$34,634,704, an increase of \$6,349,849 in comparison with the prior year's \$28,284,855. The fixed assets increase was mostly due to the land and buildings purchased in Leland and Whiteville with bond money.
- Per-pupil revenue from governmental sources for the 2021 - 2022 year was \$11,193, compared to \$10,064 in 2020 - 2021.
- Classical Charter Schools of America has long-term debt of \$40,771,703 of which \$725,000 is due within one year. Classical Charter Schools of America received a "Payroll Protection Program" loan of \$1,619,600 in April 2020, this loan was forgiven in February 2021.
- Classical Charter Schools of America spent \$318,329 in legal fees defending the lawsuit regarding the school's uniform policy, these expenses were offset by insurance proceeds of \$175,773.

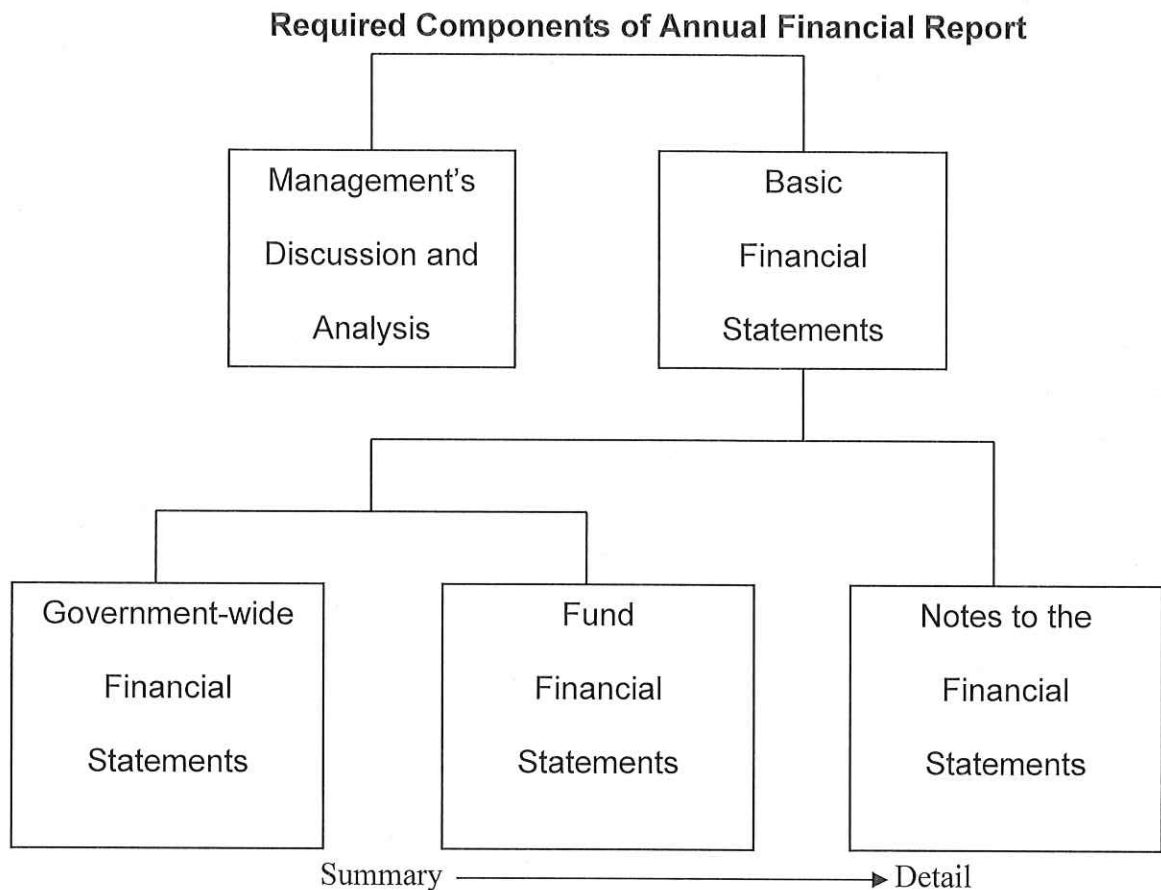
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Classical Charter Schools of America's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the company through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Classical Charter Schools of America.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the company's governmental fund statements. These statements are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **supplemental information** is provided to show details about the School's funds. Budgetary information for the School also can be found in this section of the statements.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements report the company's net assets and how they have changed. Net assets equal the difference between the School's total assets and total liabilities. Measuring net assets is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the company's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. The business-type activities are those services that the company charges its students and other customers. Classical Charter Schools of America participates in no business-type activities.

The government-wide financial statements are enumerated in Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Classical Charter Schools of America uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements where and when applicable. All of the funds of Classical Charter Schools of America can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the company's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and a governmental fund is described in the reconciliation, which is an integral part of the fund financial statements.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Although not compelled or required to do so by federal, state, or local law, Classical Charter Schools of America has elected to adopt an annual budget. Since the budget is not required by law, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules following the notes. The budget incorporates input from the management and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the School has complied with the budget and whether or not the School has succeeded in providing the services at the costs as originally planned.

Proprietary Funds – Classical Charter Schools of America has proprietary funds, which are enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a school's financial condition. The assets of Classical Charter Schools of America exceeded liabilities by \$9,203,073 as of June 30, 2022. As of June 30, 2021, the net assets of Classical Charter Schools of America stood at \$9,438,607. The school's net assets decreased slightly by \$43,226 for the fiscal year ended June 30, 2022. The amount of \$1,853,767 reflects the company's net investment in capital assets (e.g. land, buildings, equipment, textbooks less debt). Classical Charter Schools of America uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The remaining balance includes funds of \$2,243,500 restricted for debt service and \$5,105,806 of unrestricted funds.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Figure 2
Classical Charter Schools of America's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$4,804,190	\$5,364,312	\$89,913	\$147,460	\$4,894,103	\$5,511,772
Restricted cash	10,234,266	16,644,426	0	0	10,234,266	16,644,426
Due from other governments	519,510	27,310	142,554	0	662,064	27,310
Capital assets, net of depreciation	34,634,704	28,284,855	0	0	34,634,704	28,284,855
Total assets	50,192,670	50,320,903	232,467	147,460	50,425,137	50,468,363
Other liabilities	444,332	257,528	6,029	525	450,361	258,053
Payroll protection program	0	0	0	0	0	0
Long-term Debt	40,771,703	40,771,703	0	0	40,771,703	40,771,703
Total liabilities	41,216,035	41,029,231	6,029	525	41,222,064	41,029,756
Invested in capital assets, net of related debt	1,853,767	1,914,078	0	0	1,853,767	1,914,078
Restricted for debt service	2,243,500	2,243,500	0	0	2,243,500	2,243,500
Unrestricted	4,879,368	5,134,094	226,438	146,935	5,105,806	5,281,029
Total net assets	\$8,976,635	\$9,291,672	\$226,438	\$146,935	\$9,203,073	\$9,438,607

Several aspects of the company's financial operations positively influenced the total unrestricted governmental net assets:

- The company adopted an annual budget. The performance of each of the 4 schools was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The company applied for and was awarded several federal grants to assist with meeting the educational needs of the student population.
- The company purchased the land and buildings on the Leland campus and the Whiteville campus with some of the bond's proceeds. This transition allowed those two schools to reduce their rental expenses and overall expenses.
- The company was able to pay off the long-term debt associated with the Southport campus with some of the bond's proceeds. This helped reduce their debt service expenses.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Figure 3
Classical Charter Schools of America's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Other Revenues	\$474,912	\$3,875,016	\$0	\$0	\$474,912	\$3,875,016
Charges for services	0	0	37,133	21,424	37,133	21,424
Operating Grants and Contributions	3,092,191	1,770,664	669,760	452,700	3,761,951	2,223,364
County, State, and Federal Funds	21,885,652	23,581,140	0	0	21,885,652	23,581,140
Total revenues	25,452,755	29,226,820	706,893	474,124	26,159,648	29,700,944
Instructional Programs	14,965,255	17,309,994	632,911	410,498	15,598,166	17,720,492
Support services	8,943,154	9,207,520	0	0	8,943,154	9,207,520
Fund raising	0	0	0	0	0	0
Interest on short-term debt	1,853,962	933,409	0	0	1,853,962	933,409
Total expenses	25,762,371	27,450,923	632,911	410,498	26,395,282	27,861,421
Increase (Decrease) in net assets before transfers	(309,616)	1,775,897	73,982	63,626	(235,634)	1,839,523
Transfers	(5,421)	(19,359)	5,421	19,359	0	0
PPP loan forgiveness	0	1,619,601	0	0	0	1,619,601
Increase (Decrease) in net assets	(315,037)	3,376,139	79,403	82,985	(235,634)	3,459,124
Net assets, July 1	9,291,672	5,915,533	147,035	63,950	9,438,707	5,979,483
Net assets, June 30	\$8,976,635	\$9,291,672	\$226,438	\$146,935	\$9,203,073	\$9,438,607

Governmental activities. Governmental activities decreased the company's net assets by \$315,037.

Business-type activities. Classical Charter Schools of America operated business-type activities during the year.

Financial Analysis of the School's Funds

As noted earlier, Classical Charter Schools of America uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Classical Charter Schools of America's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing Classical Charter Schools of America's financing requirements. Specifically, unrestricted fund balance can be a useful measure of the company's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund for all four schools operated by Classical Charter Schools of America. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,616,015.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



Proprietary Funds. Classical Charter Schools of America has proprietary funds, which are enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

Capital Asset and Debt Administration

Capital assets. Classical Charter Schools of America's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$34,634,704 (net of accumulated depreciation). Capital assets include textbooks, playground equipment, and computers. There were capital asset purchases during the year for equipment.

Figure 4
Classical Charter Schools of America's Capital Assets
 (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land / land improvements	\$3,087,405	\$3,087,405	\$0	\$0	\$3,087,405	\$3,087,405
Construction work-in-progress	7,820,573	838,089	0	0	7,820,573	838,089
Buildings / building improvements	16,130,117	16,717,433	0	0	16,130,117	16,717,433
Leasehold improvements	6,682,041	6,685,113	0	0	6,682,041	6,685,113
Equipment / computers / playground equipment	260,766	165,628	0	0	260,766	165,628
Vehicles	651,737	775,903	0	0	651,737	775,903
Textbooks	2,065	15,284	0	0	2,065	15,284
Total	\$34,634,704	\$28,284,855	\$0	\$0	\$34,634,704	\$28,284,855

Additional information about the School's capital assets can be found in Note III.A.2. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2022, Classical Charter Schools of America had outstanding debt of \$40,771,703, of which \$725,000 was due within a year. As of June 30, 2021, long-term debt remained the same at \$40,771,703.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the schools:

- The schools operated with substantially lower amounts (nearly 30% less) of per-pupil funding that that received by surrounding district students, in addition to receiving zero capital funds, unlike traditional public schools. Because the School receives no capital funding, it must pay rent out of its operating revenue.
- Due to statutory enrollment limits, some of the schools were obligated to hold a random lottery in February 2021, and not all of the applicants were admitted for the upcoming year.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



- The four schools received donations of \$245,420 during the 2021 - 2022 school year.
- Classical Charter Schools of Wilmington provides food services, both breakfast and lunch, to all students. The school also provides school transportation for all students.
- Classical Charter Schools of Whiteville food service, both breakfast and lunch, to all students. The school also provides school transportation for students from Lumberton and other distant communities.
- Three buses were purchased during the 2020 - 2021 school year for Classical Charter Schools of Whiteville. Funds for these buses were approved by the board to come out of operating capital.
- Competitive salary increases effective for the 2021 - 2022 school year increased all school's expenditures but were partially offset by state revenue increases.
- Expenditures budgeted for Administrative Services increased in 2021 - 2022 due to providing enhanced teacher professional development through instructional support coaches and curriculum specialists, who evaluate and optimize instruction.
- With the lifting of the "Charter School Cap," it is important for all 4 schools to maintain its unrestricted funds surplus since there is possible impact with other competing charter schools.

As in past years, such factors evidence the demand on the School by the parents and community that will require additional financing in future years. As specified in the charter application, Classical Charter Schools of America intends to continue expansion and replication in nearby counties to try and meet the local demands subject to constraints on the available land and on available financing. It was partially for this reason that the fund balance was substantially increased this year.

Careful management of the School's financial resources and building relationships with possible new major donors will continue as in the past; however, there is no guarantee that future financing will be available or that any major donors can be found to fund continued expansion.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mr. Mark Dudeck, Treasurer, Classical Charter Schools of America, 7055 Bacon's Way Leland, North Carolina 28451, (910) 655-3600.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2022



THIS PAGE INTENTIONALLY LEFT BLANK.

Exhibit 1

Classical Charter Schools of America, Inc.
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,068,661	\$ 89,913	\$ 4,158,574
Restricted cash - debt service	2,243,500	-	2,243,500
Restricted cash - unspent bond proceeds	7,990,766	-	7,990,766
Due from other governments	519,510	142,554	662,064
Accounts Receivable - other (net)	811,176	-	811,176
Prepaid expenses	263,353	-	263,353
Advance from LLC	(339,000)	-	(339,000)
Capital assets:			
Land, improvements, and construction in progress	10,907,987	-	10,907,987
Other capital assets, net of depreciation	23,726,717	-	23,726,717
Total capital assets	34,634,704	-	34,634,704
Total assets	50,192,670	232,467	50,425,137
LIABILITIES			
Accounts payable - trade	444,332	6,029	450,361
Long - term liabilities:			
Bond premium - due within one year	120,000	-	120,000
Bond premium - due in more than one year	3,596,703	-	3,596,703
Due within one year	605,000	-	605,000
Due in more than one year	36,450,000	-	36,450,000
Total liabilities	41,216,035	6,029	41,222,064
NET POSITION			
Net investment in capital assets	1,853,767	-	1,853,767
Restricted for:			
Debt service	2,243,500	-	2,243,500
Unrestricted	4,879,368	226,438	5,105,806
Total net position	\$ 8,976,635	\$ 226,438	\$ 9,203,073

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs	\$ 18,057,446	\$ -	\$ 3,092,191	\$ -	\$ (14,965,255)	\$ -	\$ (14,965,255)
Support services	8,943,154	-	-	-	(8,943,154)	-	(8,943,154)
Interest on long-term debt	1,853,962	-	-	-	(1,853,962)	-	(1,853,962)
Total governmental activities	28,854,562	-	3,092,191	-	(25,762,371)	-	(25,762,371)
Business-type activities:							
School food service	531,202	-	669,760	-	-	38,558	38,558
Before and after school revenue	1,709	37,133	-	-	-	35,424	35,424
Total business-type activities	632,911	37,133	669,760	-	-	73,982	73,982
Total primary government	\$ 29,487,473	\$ 37,133	\$ 3,761,951	\$ -	(25,762,371)	73,982	(25,688,389)
General revenues:							
Unrestricted County appropriations					5,856,046	-	5,856,046
Unrestricted State appropriations					19,062,049	-	19,062,049
Unrestricted Federal appropriations					59,748	-	59,748
Contributions					246,767	-	246,767
Miscellaneous, unrestricted					228,145	-	228,145
Transfers					(5,421)	5,421	-
Total general revenues and transfers					25,447,334	5,421	25,452,755
Change in net position					(315,037)	79,403	(235,634)
Net position-beginning					9,291,672	147,035	9,438,707
Net position-ending					\$ 8,976,635	\$ 226,438	\$ 9,203,073

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Balance Sheet
Governmental Funds
June 30, 2022

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Classical Charter Schools of Leland	Classical Charter Schools of Whiteville	Classical Charter Schools of Southport	Classical Charter Schools of Wilmington	Eliminations	
ASSETS							
Cash and cash equivalents	\$ -	\$ 2,887,558	\$ 731,552	\$ 427,268	\$ 22,183	\$ -	\$ 4,068,661
Restricted cash - debt service	-	807,660	673,050	762,790	-	-	2,243,500
Restricted cash - unspent bond proceeds	-	3,858,379	1,191,690	2,940,697	-	-	7,990,766
Due from other governments	-	42,871	134,859	196,671	146,109	-	519,510
Accounts Receivable - other (net)	-	284,678	300,711	146,762	79,037	-	811,176
Prepaid expenses	-	68,989	113,698	65,137	15,549	-	263,353
Due from Southport Charter School	1,930,000	-	-	-	-	(1,930,000)	-
Due from LLC	-	84,000	122,500	83,500	-	(290,000)	-
Due from Douglass Academy	535,000	-	-	-	-	(535,000)	-
Total assets	2,465,000	8,034,213	3,268,060	4,622,815	261,878	(2,755,000)	15,886,986
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable - trade	-	182,023	113,660	132,930	15,519	-	444,332
Due to LLC	127,750	125,500	122,500	125,500	-	(162,250)	339,000
Total liabilities	127,750	307,523	236,160	258,430	15,519	(162,250)	783,332
Fund balances:							
Restricted for debt service	-	807,660	673,050	762,790	-	-	2,243,500
Restricted for unspent bond proceeds	-	3,858,379	1,191,690	2,940,697	-	-	7,990,766
Nonspendable; prepaid expenses	-	68,989	113,698	65,137	15,549	-	263,353
Unassigned:	2,337,250	2,991,882	1,053,262	585,761	230,810	(2,592,750)	4,816,015
Total fund balances	2,337,250	7,726,890	3,031,700	4,364,385	246,359	(2,592,750)	15,113,634
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,465,000	\$ 8,034,213	\$ 3,268,060	\$ 4,622,815	\$ 261,878	\$ (2,755,000)	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,634,704
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 5).	(40,771,703)
Net position of governmental activities	<u>\$ 8,976,635</u>

Classical Charter Schools of America, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Special Revenue Funds						
	General Fund	Classical Charter Schools of Leland	Classical Charter Schools of Whiteville	Classical Charter Schools of Southport	Classical Charter Schools of Wilmington	Eliminations	Total Governmental Funds
REVENUES							
State of North Carolina	\$ -	\$ 7,094,848	\$ 7,330,892	\$ 3,748,785	\$ 887,524	\$ -	\$ 19,062,049
Local education agencies	-	2,890,412	785,742	1,814,374	365,518	-	5,856,046
U.S. Government	-	1,031,962	1,511,729	328,074	280,174	-	3,151,939
Donations - general	-	22,710	23,857	-	200,000	-	246,587
Miscellaneous, unrestricted	-	181,887	3,100	3,220	338	-	188,345
Total revenues	-	11,221,619	9,655,320	5,894,453	1,733,554	-	28,504,946
EXPENDITURES							
Current:							
Instructional programs	-	6,946,138	6,177,090	3,014,493	1,314,805	-	17,452,526
Support services	-	3,394,171	2,524,878	2,155,657	410,048	-	8,484,754
Capital outlay	-	1,199,182	582,705	5,371,038	4,743	-	7,157,668
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	667,426	556,189	630,347	-	-	1,853,962
Total expenditures	-	12,206,917	9,840,862	11,171,535	1,729,596	-	34,948,910
Excess (deficiency) of revenues over (under) expenditures	-	(985,298)	(185,542)	(5,277,082)	3,958	-	(6,443,964)
OTHER FINANCING SOURCES (USES)							
Advance from LLC	-	-	40,000	-	-	(106,751)	(66,751)
Transfers from other funds	-	-	(1,582)	-	(3,839)	-	(5,421)
Total other financing sources (uses)	-	-	38,418	-	(3,839)	(106,751)	(72,172)
Net change in fund balance	-	(985,298)	(147,124)	(5,277,082)	119	(106,751)	(6,516,136)
Fund balances-beginning	2,465,000	8,711,988	3,178,824	9,641,467	246,240	(2,613,749)	21,629,770
Fund balances-ending	\$ 2,465,000	\$ 7,726,690	\$ 3,031,700	\$ 4,364,385	\$ 246,359	\$ (2,720,500)	\$ 15,113,634

The notes to the financial statements are an integral part of this statement.

Exhibit 5

Classical Charter Schools of America, Inc.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (6,516,136)
---	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

6,201,099

Donated assets

-

Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.

-

Total changes in net position of governmental activities

\$ (315,037)

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2022

	Major Enterprise Funds		
	Classical Charter Schools of Whiteville	Classical Charter Schools of Wilmington	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 89,913	\$ 89,913
Due from other governments	141,402	1,152	142,554
Accounts Receivable - other (net)	-	-	-
Inventories	-	-	-
Total current assets	141,402	91,065	232,467
Non-current assets:			
Capital assets:			
Furniture and office equipment, net	-	-	-
Food service equipment	-	-	-
Computer equipment, net	-	-	-
Total Non-current assets	-	-	-
Total assets	141,402	91,065	232,467
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	6,029	-	6,029
Due to other funds	-	-	-
Total current liabilities	6,029	-	6,029
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	6,029	-	6,029
NET POSITION			
Net invested in capital assets	-	-	-
Unrestricted	135,373	91,065	226,438
Total net position	\$ 135,373	\$ 91,065	\$ 226,438

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Major Enterprise Funds		Total
	Classical Charter Schools of Whiteville	Classical Charter Schools of Wilmington	
OPERATING REVENUES			
Lunch sales	\$ -	\$ -	\$ -
Before and after school revenue	-	37,133	37,133
Total operating revenues	-	37,133	37,133
OPERATING EXPENSES			
Purchase of food	-	1,586	1,586
Salaries and benefits	33,048	16,062	49,110
Contracted Services	502,573	62,003	564,576
Supplies and Materials	3,084	858	3,942
Other expenses	13,697	-	13,697
Total operating expenses	552,402	80,509	632,911
Operating income (loss)	(552,402)	(43,376)	(595,778)
NON-OPERATING REVENUES (EXPENSES)			
Federal Reimbursements	594,799	74,961	669,760
Transfers from other funds	1,582	3,839	5,421
Total non-operating revenue (expenses)	596,381	78,800	675,181
Income (loss) before contributions and transfers	43,979	35,424	79,403
Change in net position	43,979	35,424	79,403
Total net position- beginning	91,394	55,641	147,035
Total net position - ending	\$ 135,373	\$ 91,065	\$ 226,438

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	<u>Major Enterprise Funds</u>		
	<u>Classical Charter Schools of Whiteville</u>	<u>Classical Charter Schools of Wilmington</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ 37,133	\$ 37,133
Cash paid for goods and services	(513,850)	(64,447)	(578,297)
Cash paid to employees for services	(33,048)	(16,062)	(49,110)
Net cash provided (used) by operating activities	(546,898)	(43,376)	(590,274)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal Reimbursements	475,327	73,909	549,236
Transfers	1,582	3,839	5,421
Net cash provided (used) by noncapital financing activities	476,909	77,748	554,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(69,989)	34,372	(35,617)
Balances-beginning	69,989	55,541	125,530
Balances-ending	\$ -	\$ 89,913	\$ 89,913
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (552,402)	\$ (43,376)	\$ (595,778)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	-	-
Salaries paid by special revenue fund	-	-	-
Changes in assets and liabilities:			
Decrease in accounts receivable	-	-	-
Increase in inventory	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	5,504	-	5,504
Increase (decrease) in salaries and wages payable	-	-	-
Total adjustments	5,504	-	5,504
Net cash provided by operating activities	\$ (546,898)	\$ (43,376)	\$ (590,274)

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of Classical Charter Schools of America, Inc. (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. The School is considered a governmental organization because of the potential for its unilateral dissolution by the State with its net assets returning to a local education agency and therefore follows the governmental reporting model as used by local education agencies.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

Classical Charter Schools of America, Inc. is a North Carolina non-profit corporation incorporated in August 1999. Pursuant to the provisions of Charter School Act of 1996 as amended (the "Act") Classical Charter Schools of America, Inc., as the charter holder, has been approved to operate four charter schools: Classical Charter Schools of Leland, Classical Charter Schools of Whiteville, Classical Charter Schools of Southport, and Classical Charter Schools of Wilmington (collectively, the "Schools"). The Schools are public schools with Classical Charter Schools of Leland serving approximately 973 students, Classical Charter Schools of Whiteville serving 856 students, Classical Charter Schools of Southport serving 562 students, and Classical Charter Schools of Wilmington serving 112 students. Each school operates under a separate charter agreement applied for under the provisions of North Carolina General Statute (hereafter "G.S.") 115C-218.1 and authorized by the State Board of Education ("SBE"). The SBE has the authority to terminate, not renew or seek applicants to assume a charter on grounds sent out at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100). The current charters are effective until June 30, 2025 for Classical Charter Schools of Leland, June 30, 2027 for Classical Charter Schools of Whiteville, June 30, 2029 for Classical Charter Schools of Southport, and June 30, 2023 Classical Charter Schools of Wilmington. Charters may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charters will be renewed in the ordinary course of business.

Classical Charter Schools of America, Inc. has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Leland Charter, LLC, Columbus Charter, LLC, and Southport Charter Campus, LLC were formed on October 7, 2020. The LLCs were created primarily as a vehicle to finance and own real estate and school facilities utilized by the Schools. GASB Statement No. 61, The Financial Reporting Entity: Omnibus, requires blending when 1) component unit provides services entirely, or almost entirely, to the primary government, or 2) a component unit's total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with resources of the primary government. The LLCs meet each of the two previously described criteria. The LLCs are reported as capital outlay funds in the School's financial statements.

B. Basis of Presentation

Classical Charter Schools of America, Inc.'s financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and required by G.S. 115C-447 of The School Budget and Fiscal Control Act (the "SBFCA"). G.S. 115C-218.6(b)(1) provides that a charter school shall be subject to the audit requirements adopted by the SBE which include the audit requirements established by G.S. 115C-447.

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), Classical Charter Schools of America, Inc. is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Government-wide Statements: The statement of net position and the statement of activities display information about the Schools. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Schools. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Schools and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the governmental funds were reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Classical Charter Schools of America, Inc. reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of Classical Charter Schools of America, Inc. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds. Each School's funds include appropriations from the county, the State Department of Public Instruction, the federal government and others. There are subfunds within each special revenue fund including:

County and Other Subfund. The County and Other Subfund includes appropriations from various counties and other support of the Schools' programs.

State Public School Subfund. The State Public School Subfund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system.

Federal Grants Subfund. The Federal Grants Subfund includes appropriations of federal grants received for specific operating or capital purposes.

The School reports the following major enterprise funds:

Enterprise Funds. Classical Charter Schools of Whiteville and Classical Charter Schools of Wilmington enterprise funds account for the school food service and before and after school.

School Food Service Subfund. The School Food Service Subfund accounts for the food service programs within each of the schools.

Before and After School Subfund. The Before and After School Subfund accounts for the before and after school programs within each of the schools.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the value given (or received) without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Schools consider all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Schools' fund certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Schools' policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the Schools' funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the Schools at June 30, 2022. All appropriations lapse at year-end.

E. Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the Schools are made in banks; whose accounts are FDIC insured. Also, the Schools have established time deposit accounts such as money market accounts.

2. Cash and Cash Equivalents

The Schools pool money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Cash

Certain amounts of cash are restricted for future debt service and unspent bond funds.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

The Schools' donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Schools to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated over the following estimated useful lives:

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

	Years
Building	39
Building Improvements	39
Textbooks	5
Playground Equipment	7
Equipment	3
Computers	5
Vehicle	7

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Schools have no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Schools have no items that meet the criterion.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

8. Compensated Absences

Employees on a 10-month work schedule earn twelve days of paid time off each year. Employees on an 11-month work schedule earn twelve to fifteen days of paid time off each year depending on their years of service. Employees on a 12-month work schedule earn twelve to twenty-five days of paid time off each year depending on their years of service. A maximum of eight paid off days may be carried forward to the next year if unused. Since the Schools have no obligation for paid time off; no paid time off accrual has been made.

9. Net Position/Fund Balances

Net position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – That portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources.

Prepaid Items – That portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – The amount of fund balance that can only be used for specific purpose imposed by majority vote of the Schools' governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – The portion of fund balance that Classical Charter Schools of America, Inc. intends to use for specific purposes.

Subsequent year's expenditures – The amount of unassigned fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Board of Trustees to modify the appropriations by resource or appropriation within funds up to \$5,000.

Assigned for Clubs and Activities funds - Revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Unassigned Fund Balance – The portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

Classical Charter Schools of America, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Board of Trustees will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Board of Trustees has the authority to deviate from this policy if it is in the best interest of the Schools.

10. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between the total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(6,136,999) consists of several elements as follows:

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 36,175,173
Less accumulated depreciation	(1,540,469)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Long-term notes payable	<u>(40,771,703)</u>
Total adjustment	<u>\$ (6,136,999)</u>

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$(6,349,855) between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 7,157,668
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	<u>(807,810)</u>
Total	<u>\$ (6,349,855)</u>

F. Revenues, Expenditures, and Expenses

1. Funding

The Schools are funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (i.e. Brunswick County, Columbus County, and New Hanover County Boards of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2022, the Schools received funding from the Boards of Education for Bladen, Brunswick, Columbus, Cumberland, Duplin, New Hanover, Pender, Robeson, and Whiteville counties.

Furthermore, Classical Charter Schools of America, Inc. has received donations of cash and/or equipment from various private organizations. The cash has been used for the purchase of new equipment for the Schools' facilities.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2022, the Schools had deposits with banks and savings and loans with a carrying amount of \$14,392,840. The bank balance with the financial institutions was \$14,445,811 of which \$1,000,000 was covered by the Federal Deposit Insurance Corporation. The remaining \$13,445,811 was a credit risk at June 30, 2022. The Schools invest excess funds overnight in U.S. government securities in accordance with its deposit policy for custodial credit risk.

2. Capital Assets

Capital assets for governmental activities for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Classical Charter Schools of Leland</u>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 79,073	\$ -	\$ 79,073
Capital assets being depreciated:				
Buildings	-	-	-	-
Building Improvements	-	34,809	-	34,809
Land Improvements	-	7,055	-	7,055
Equipment	-	42,693	-	42,693
Playground Equipment	-	-	-	-
Vehicles	-	7,490	-	7,490
Total capital assets being depreciated	-	92,047	-	92,047
Less accumulated depreciation for:				
Buildings	-	-	-	-
Building Improvements	-	1,258	-	1,258
Equipment	-	1,779	-	1,779
Playground Equipment	-	-	-	-
Vehicles	-	374	-	374
Total accumulated depreciation	-	3,411	-	3,411
Total capital assets being depreciated, net	-	-	-	88,636
Governmental activity capital assets, net	\$ -	-	-	\$ 167,709

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Classical Charter Schools of Southport				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings	-	-	-	-
Building Improvements	-	-	-	-
Leasehold Improvements	19,400	-	-	19,400
Vehicles	11,396	-	-	11,396
Textbooks	-	-	-	-
Total capital assets being depreciated	30,796	-	-	30,796
Less accumulated depreciation for:				
Buildings	-	-	-	-
Building Improvements	-	-	-	-
Leasehold Improvements	862	1,293	-	2,155
Vehicles	814	1,628	-	2,442
Textbooks	-	-	-	-
Total accumulated depreciation	1,676	\$ 2,921	\$ -	4,597
Total capital assets being depreciated, net	29,120			26,199
Governmental activity capital assets, net	\$ 29,120			\$ 26,199

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Classical Charter School of Whiteville				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 266,306	\$ -	\$ 266,306
Capital assets being depreciated:				
Building Improvements	-	76,628	-	76,628
Equipment	89,221	6,500	-	95,721
Vehicles	257,708	-	-	257,708
Total capital assets being depreciated	346,929	83,128	-	430,057
Less accumulated depreciation for:				
Building Improvements	-	4,470	-	4,470
Equipment	814	12,999	-	13,813
Vehicles	-	36,815	-	36,815
Total accumulated depreciation	814	\$ 54,284	\$ -	55,098
Total capital assets being depreciated, net	346,115			374,959
Governmental activity capital assets, net	\$ 346,115			\$ 641,265

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Classical Charter Schools of Wilmington</u>				
<u>Capital assets not being depreciated:</u>				
<u>Construction in progress</u>	\$ -	\$ 4,734	\$ -	\$ 4,734
<u>Capital assets being depreciated:</u>				
Leasehold	406,550	-	-	406,550
Textbooks	65,416	-	-	65,416
Vehicle	96,252	-	-	96,252
Total capital assets being depreciated	568,218	-	-	568,218
Less accumulated depreciation for:				
Leasehold	103,160	18,702	-	121,862
Textbooks	65,582	13,219	-	78,801
Vehicle	75,823	5,943	-	81,766
Total accumulated depreciation	244,565	\$ 37,864	\$ -	282,429
Total capital assets being depreciated, net	323,653			285,789
Governmental activity capital assets, net	<u>\$ 323,653</u>			<u>\$ 290,523</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Southport Charter, LLC</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 328,714	\$ -	\$ -	\$ 328,714
Construction in progress	315,939	5,371,038	-	5,686,977
Land Improvements	2,161,387	-	-	2,161,387
Total capital assets not being depreciated	2,806,040	5,371,038	-	8,177,078
<u>Capital assets being depreciated:</u>				
Buildings	1,810,618	-	-	1,810,618
Building improvements	1,945,902	-	-	1,945,902
Textbooks	15,450	-	-	15,450
Total capital assets being depreciated	3,771,970	-	-	3,771,970
Less accumulated depreciation for:				
Buildings	46,426	46,426	-	92,852
Building improvements	51,126	51,125	-	102,251
Textbooks	3,090	3,090	-	6,180
Total accumulated depreciation	100,642	\$ 100,641	\$ -	201,283
Total capital assets being depreciated, net	3,671,328			3,570,687
Governmental activity capital assets, net	<u>\$ 6,477,368</u>			<u>\$ 11,747,765</u>

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Leland Charter, LLC</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 422,560	\$ 1,028,062	\$ -	\$ 1,450,622
Land	191,306	-	-	191,306
Total capital assets not being depreciated:	613,866	1,028,062	-	1,641,928
Capital assets being depreciated:				
Buildings	6,167,576	-	-	6,167,576
Building improvements	3,022,424	-	-	3,022,424
Equipment	83,522	-	-	83,522
Vehicles	184,176	-	-	184,176
Total capital assets being depreciated	9,457,698	-	-	9,457,698
Less accumulated depreciation for:				
Buildings	92,250	158,143	-	250,393
Building improvements	38,749	78,757	-	117,506
Equipment	19,510	11,932	-	31,442
Vehicles	28,444	26,311	-	54,755
Total accumulated depreciation	178,953	\$ 275,143	\$ -	454,096
Total capital assets being depreciated, net	9,278,745			9,003,602
Governmental activity capital assets, net	\$ 9,892,611			\$ 10,645,530

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Whiteville Charter, LLC</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 99,590	\$ 233,271	\$ -	\$ 332,861
Land	405,998	-	-	405,998
Total capital assets not being depreciated:	505,588	233,271	-	738,859
Capital assets being depreciated:				
Buildings	6,875,849	-	-	6,875,849
Building Improvements	3,644,151	-	-	3,644,151
Equipment	20,577	-	-	20,577
Vehicles	413,927	-	-	413,927
Total capital assets being depreciated	10,954,504	-	-	10,954,504
Less accumulated depreciation for:				
Buildings	102,844	176,304	-	279,148
Building Improvements	54,507	93,440	-	147,947
Equipment	4,679	4,679	-	9,358
Vehicles	59,132	59,123	-	118,255
Total accumulated depreciation	221,162	\$ 333,546	\$ -	554,708
Total capital assets being depreciated, net	10,733,342			10,399,796
Governmental activity capital assets, net	\$ 11,238,930			\$ 11,138,655

Total Capital Assets \$ 34,647,104

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Depreciation expense charged to governmental functions totaled \$807,810 as follows:

Classical Charter Schools of Southport

Instructional Programs	\$ 2,191
Supporting Services	730
	<u>\$ 2,921</u>

Classical Charter Schools of Whiteville

Instructional Programs	\$ 40,713
Supporting Services	13,571
	<u>\$ 54,284</u>

Classical Charter Schools of Wilmington

Instructional Programs	\$ 28,398
Supporting Services	9,466
	<u>\$ 37,864</u>

Leland Charter, LLC

Instructional Programs	\$ 206,672
Supporting Services	68,471
	<u>\$ 275,143</u>

Southport Charter, LLC

Instructional Programs	\$ 75,482
Supporting Services	25,159
	<u>\$ 100,641</u>

Columbus Charter, LLC

Instructional Programs	\$ 250,160
Supporting Services	83,386
	<u>\$ 333,546</u>

Classical Charter Schools of Leland

Instructional Programs	\$ 2,558
Supporting Services	853
	<u>\$ 3,411</u>

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

The Schools maintained a 401(k) retirement plan for the benefit of its employees for fiscal year 2020. The Schools will match up to a maximum of 3% of the employee's gross salary. All employees who are employed by the Schools and have reached the age of 18, except substitute teachers, are eligible to participate in the plan. Employees may contribute an unlimited portion of their salary into the retirement plan, with tax deductible amounts up to the amounts allowable by the Internal Revenue Service. Classical Charter Schools of America, Inc. made all required contributions. For the year ended June 30, 2022, the retirement cost for the 401(k) plan to the Schools was \$289,398 with employees contributing \$575,147.

2. Risk Management

The Schools is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Schools maintain general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

The Schools have obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the Schools are eligible to receive health care benefits.

The Schools carry commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

3. Long-Term Obligations

a. Notes Payable to Related Schools and Entities

Notes payable to related schools and entities and the corresponding accounts receivable balances are included on the individual school's statement of net position in the supplemental schedules to the financial statements. Notes payable and accounts receivable balances were eliminated from the combined statement of net position in the financial statements.

Classical Charter Schools of Wilmington

On July 8, 2013, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$300,000 with interest at a rate of 0.00%. The principal will be due on or before June 30, 2023 in the form of a lump sum payment. The note was obtained to assist with construction costs.

On September 13, 2013, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000 with interest at a rate of 0.00%. The principal will be due on or before June 30, 2023 in the form of a lump sum payment. The note was obtained to assist with construction costs.

On April 30, 2015, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000. The note was obtained to assist with facilities development.

On June 3, 2015, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$150,000. The note was obtained to assist with facilities development.

On June 24, 2015, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter School of America, Inc. with a principal balance of \$85,000. The note was obtained to assist with facilities development.

No payments were made to Classical Charter Schools of America, Inc. during the year ended June 30, 2022. A balance of \$535,000 remained due to Classical Charter Schools of America, Inc. as of year-end.

Classical Charter Schools of Southport

On May 6, 2014, Classical Charter Schools of Southport obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000. The note was obtained to assist with construction costs. The note is interest free and a maturity date has not been determined.

On January 14, 2015, Classical Charter Schools of Southport obtained a direct placement note Classical Charter Schools of America, Inc. with a principal balance of \$550,000. The note was obtained to assist with construction costs. The note is interest free and a maturity date has not been determined.

On June 25, 2015, Classical Charter Schools of Southport obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$99,000. The note was obtained to assist with construction costs. The note is interest free and maturity dates have not been determined.

On June 24, 2016, Classical Charter Schools of Southport obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$1,081,000. The note was obtained to assist with construction costs. The note is interest free and maturity dates have not been determined.

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

On July 19, 2017, Classical Charter Schools of Southport obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000. The note was obtained to assist with construction costs. The note is interest free and maturity dates have not been determined

No payments were made to Classical Charter Schools of America, Inc. during the year ended June 30, 2022. A balance of \$1,930,000 remained due to Classical Charter Schools of America, Inc. as of year-end.

b. General Obligation Bonds Payable

The Public Finance Authority issued two Series 2020 bonds, as direct placement agreements, on behalf of Leland Charter, LLC, Columbus Charter, LLC and Southport Charter, LLC on December 1, 2020. The proceeds of the 2020 bonds were loaned to Leland Charter, LLC, Columbus Charter, LLC and Southport Charter, LLC for the purpose of financing the costs of acquiring, certain charter school educational facilities, paying off existing debt, supplementing the charter schools, and establishing reserves to be used in the event of default. The amount of the issuance is \$40,771,703; \$40,286,703 in 2020A Series Bonds, and \$485,000 in 2020B Series Bonds, and is expected to have a final maturity date of December 1, 2055. The bonds are expected to bear an interest rate of 5% and 5.25%. Rental income from the School's will be used to repay the bonds.

For the Year Ended June 30:	2020A		
	Total	Principal	Interest
2023	\$ 1,946,137	\$ 120,000	\$ 1,826,137
2024	2,252,613	430,000	1,822,613
2025	2,253,500	452,500	1,801,000
2026	2,253,375	475,000	1,778,375
2027	2,252,125	497,500	1,754,625
2028-2032	11,279,875	2,907,500	8,372,375
2033-2038	11,297,625	3,730,000	7,567,625
2039-2043	11,324,500	4,790,000	6,534,500
2044-2048	11,359,500	6,152,500	5,207,000
2049-2052	11,401,250	7,897,500	3,503,750
2053-2055	10,315,250	9,117,500	1,197,750
Total	\$ 77,935,750	\$ 36,570,000	\$ 41,365,750

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

For the Year Ended June 30:	2020B		
	Total	Principal	Interest
2023	\$ 222,398	\$ 197,500	\$ 24,898
2024	304,957	287,500	17,457
Total	<u>\$ 527,355</u>	<u>\$ 485,000</u>	<u>\$ 42,355</u>

For the Year Ended June 30:	2020A Premium		
	Total	Principal	Interest
2023	\$ 242,155	\$ 56,320	\$ 185,835
2024	295,646	112,627	183,019
2025	290,015	112,627	177,388
2026	284,383	112,627	171,756
2027	278,752	112,627	166,125
2028-2032	1,309,290	563,135	746,155
2033-2037	1,168,507	563,135	605,372
2038-2042	1,027,723	563,135	464,588
2043-2047	886,939	563,135	323,804
2048-2052	746,155	563,135	183,020
2053-2055	438,407	394,200	44,207
Total	<u>\$ 6,967,972</u>	<u>\$ 3,716,703</u>	<u>\$ 3,251,269</u>

The Schools are required to meet a debt coverage ratio of 1.00 or above for any fiscal year, commencing with the year ending June 30, 2022 based on maximum annual lease payments and maximum annual debt service excluding bond debt service. The School is in compliance with the debt service coverage ratio.

Change in fund balance (pg. 29)	\$ (6,516,136)
Change in fund balance (pg 32)	79,403
Plus: capital outlay	7,157,668
Plus: Interest	<u>1,853,962</u>
Current year net income available for debt payments	2,574,897
Maximum annual lease payments	2,251,094
Maximum Annual debt service (not including payments to Series 2020 bonds	<u>-</u>
Coverage ratio	1.14

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

The Schools are required to maintain enough cash on hand to operate for at least 45 days. The School is in compliance with the cash on hand requirement.

Unrestricted cash	\$ 4,158,574
Total operating expenses	\$ 28,424,163
Operating expenses divided by 365; multiply by 45	\$ 3,6504,349
Surplus cash	\$ 642,225

d. Changes in Long-Term Obligations

The following is a summary of changes in Classical Charter Schools of America, Inc.'s long term obligations for the fiscal year ended June 30, 2022:

Governmental Activities:	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Notes from direct borrowings and direct placements					
Bonds payable 2020A	\$ 36,570,000	\$ -	\$ -	\$ 36,570,000	\$ 407,500
Bonds payable 2020B	485,000	-	-	485,000	197,500
Bonds payable 2020A premium	3,716,703	-	-	3,716,703	120,000
Total	<u>\$ 40,771,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,771,703</u>	<u>\$ 725,000</u>

Governmental Activities:	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Notes from interdivisional loans					
Classical Charter Schools of Southport	\$ 2,430,000	\$ -	\$ 500,000	\$ 1,930,000	\$ -
Classical Charter Schools of Wilmington	535,000	-	-	535,000	-
Total	<u>\$ 2,965,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 2,465,000</u>	<u>\$ -</u>

e. General Long-Term Obligations

The following is a summary of each LLC's long-term obligations at June 30, 2022:

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

	Southport Charter, LLC		Whiteville Charter, LLC		Leland Charter, LLC	
	Ending Balance	Current Portion	Ending Balance	Current Portion	Ending Balance	Current Portion
Governmental Activities:						
Bonds payable 2020A	\$ 12,433,800	\$ 138,550	\$ 10,971,000	\$ 122,250	\$ 13,165,200	\$ 146,700
Bonds payable 2020B	164,900	67,150	145,500	59,100	174,600	71,250
Bonds payable 2020A Premium	1,263,679	40,800	1,115,011	36,000	1,338,013	43,200
Total	\$ 13,862,379	\$ 246,500	\$ 12,231,511	\$ 217,350	\$ 14,677,813	\$ 261,150

4. Capital Lease

Capital Lease – Related Party

The Schools entered into three capital lease agreements on December 1, 2020 for facility rental from Columbus Charter, LLC, Leland Charter, LLC and Southport Charter, LLC. The Lease agreements is for total payments in principal and interest of \$81,136,753. The agreements require variable monthly payments and expires December 1, 2055. The Schools paid \$1,853,962 in interest under these lease agreements for the year ended June 30, 2022. Future Lease payments are included in the schedule below.

For the Year Ended June 30:	Total	Principal	Interest
2023	\$ 2,251,094	\$ 407,500	\$ 1,843,594
2024	2,252,613	430,000	1,822,613
2025	2,253,500	452,500	1,801,000
2026	2,253,375	475,000	1,778,375
2027-2031	11,275,625	2,765,000	8,510,625
2032-2036	11,292,500	3,547,500	7,745,000
2037-2041	11,317,250	4,555,000	6,762,250
2042-2046	11,354,750	5,855,000	5,499,750
2047-2051	11,389,250	7,510,000	3,879,250
2052-2055	12,600,750	10,860,000	1,740,750
Total	\$ 78,240,707	\$ 36,857,500	\$ 41,383,207

C. Transfers

The general fund transferred \$5,421 to the food service fund to fund food costs.

D. Fund Balance

Classical Charter Schools of America, Inc. has a revenue spending policy that provides for programs with multiple revenue sources. The Board of Trustees will use resources in the following hierarchy: federal funds, State funds, local non-School funds, Classical Charter Schools of America, Inc. funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Board of Trustees has the authority to deviate from this policy if it is in the best interest of the Schools. The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Total fund balance	\$ 15,113,634
Less:	
Prepaid Items	263,353
Debt Service	2,243,500
Unspent Bond Proceeds	7,990,766
Remaining Fund Balance	\$ 4,616,015

IV. Related Party Transactions

Classical Charter Schools of America, Inc.

Classical Charter Schools of America, Inc. issued non interest bearing notes totaling \$1,930,000 to Classical Charter Schools of Southport. Classical Charter Schools of Southport has the same Board of Directors as Classical Charter Schools of America, Inc. issued non interest bearing notes totaling \$735,000 to Classical Charter Schools of Wilmington. The funds from these notes were used for facilities development. At June 30, 2022, Classical Charter Schools of Southport owed Classical Charter Schools of America, Inc. \$1,930,000 and Classical Charter Schools of Wilmington owed Classical Charter Schools of America, Inc. \$535,000.

Classical Charter Schools of Leland

On July 18, 2001, Classical Charter Schools of Leland entered into an agreement with Roger Bacon Academy, Inc. for management and facility services. Roger Bacon Academy, Inc. provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy, Inc. is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of America, Inc., State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2022, management and administration fees were paid to Roger Bacon Academy, Inc. in the amount of \$1,767,007. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Classical Charter Schools of Whiteville

Classical Charter Schools of Whiteville has agreements for management services and property use with Roger Bacon Academy, Inc. Roger Bacon Academy, in turn, rents the land, building, and equipment from Coastal Habitat Conservancy, LLC, which owns all the physical facilities and most of the equipment used by the School.

On June 13, 2007, Classical Charter Schools of Whiteville entered into an agreement with Roger Bacon Academy for management and faculty services. Roger Bacon Academy provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of Whiteville, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2022, management and administration fees were paid to Roger Bacon Academy in the amount of \$1,591,336. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Classical Charter Schools of Southport

On July 1, 2014, Classical Charter Schools of Southport entered into an agreement with Roger Bacon Academy for management and faculty services. Roger Bacon Academy provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of Southport, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2022, management and administration fees were paid to Roger Bacon Academy in the amount of \$942,481. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Classical Charter Schools of Wilmington

On July 1, 2013, Classical Charter Schools of Wilmington entered into an agreement with Roger Bacon Academy for management and faculty services. Roger Bacon Academy provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of Wilmington, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2022, management and administration fees were paid to Roger Bacon Academy in the amount of \$247,755. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

COVID-19 Contingencies

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2022, and additional impact on operational and financial performance may occur.

VI. Subsequent Events

The Schools have evaluated subsequent events from the date of the balance sheet through the date of the independent auditors' report which is the date the financial statements are available to be issued. The Schools have not evaluated subsequent events after that date. There were no subsequent events requiring disclosure.

VII. Management Company

Classical Charter Schools of Leland paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2022:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	\$1,767,007

Classical Charter Schools of America, Inc.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Classical Charter Schools of Whiteville paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2022:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	\$1,541,338

Classical Charter Schools of Southport paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2022:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	\$942,481

Classical Charter Schools of Wilmington paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2022:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	\$247,755

THIS PAGE INTENTIONALLY LEFT BLANK.

THIS PAGE INTENTIONALLY LEFT BLANK.

COMBINING STATEMENTS

Statement 3

Classical Charter Schools of America, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2022

	Classical Charter Schools of Leland				
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
ASSETS					
Cash and cash equivalents	\$ 2,866,181	\$ -	\$ -	\$ 21,477	\$ 2,887,658
Restricted cash - debt service	-	-	-	807,660	807,660
Restricted cash - unspent bond proceeds	-	-	-	3,858,379	3,858,379
Due from other governments	42,871	-	-	-	42,871
Accounts receivable - other (net)	284,676	-	-	-	284,676
Prepaid expenses	68,969	-	-	-	68,969
Advance from LLC	84,000	-	-	-	84,000
Total assets	<u>\$ 3,346,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,687,516</u>	<u>\$ 8,034,213</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	\$ 182,023	\$ -	\$ -	\$ -	\$ 182,023
Advance from LEA	-	-	-	125,500	125,500
Total liabilities	<u>182,023</u>	<u>-</u>	<u>-</u>	<u>125,500</u>	<u>307,523</u>
Fund balances:					
Nonexpendable: prepaid expenses	68,969	-	-	-	68,969
Restricted for debt service	-	-	-	807,660	807,660
Restricted for unspent bond proceeds	-	-	-	3,858,379	3,858,379
Unassigned:	3,095,705	-	-	(104,023)	6,821,561
Total fund balances	<u>3,164,674</u>	<u>-</u>	<u>-</u>	<u>4,562,016</u>	<u>11,556,569</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,346,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,687,516</u>	<u>\$ 11,864,092</u>

Statement 4

Classical Charter Schools of America, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2022

	Classical Charter Schools of Leland				
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
REVENUES					
State of North Carolina	\$ -	\$ 7,094,848	\$ -	\$ -	\$ 7,094,848
Local education agencies	2,890,412	-	-	-	2,890,412
U.S. Government	-	-	1,031,962	-	1,031,962
Contributions	22,710	-	-	-	22,710
Rental income	-	-	-	738,526	738,526
Miscellaneous, unrestricted	180,145	-	-	1,542	181,687
Total revenues	<u>3,093,267</u>	<u>7,094,848</u>	<u>1,031,962</u>	<u>740,068</u>	<u>11,960,145</u>
EXPENDITURES					
Current:					
Instructional programs	785,572	5,994,842	904,250	-	7,684,664
Support services	2,159,171	1,100,006	127,712	7,282	3,394,171
Capital outlay	171,120	-	-	1,028,062	1,199,182
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	667,426	667,426
Total expenditures	<u>3,115,863</u>	<u>7,094,848</u>	<u>1,031,962</u>	<u>1,702,770</u>	<u>12,945,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,596)</u>	<u>-</u>	<u>-</u>	<u>(962,702)</u>	<u>(985,298)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bonds	-	-	-	-	-
Transfers from other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(22,596)</u>	<u>-</u>	<u>-</u>	<u>(962,702)</u>	<u>(985,298)</u>
Fund balances-beginning	3,187,270	-	-	5,524,718	8,711,988
Fund balances-ending	<u>\$ 3,164,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,562,016</u>	<u>\$ 7,726,690</u>

Classical Charter Schools of America, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2022

	Classical Charter Schools of Whiteville				
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
ASSETS					
Cash and cash equivalents	\$ 700,666	\$ -	\$ -	\$ 30,886	\$ 731,552
Restricted cash - debt service	-	-	-	673,050	673,050
Restricted cash - unspent bond proceeds	-	-	-	1,191,690	1,191,690
Due from other governments	134,859	-	-	-	134,859
Accounts Receivable - other (net)	300,711	-	-	-	300,711
Prepaid expenses	57,474	-	-	56,224	113,698
Advance from LLC	122,500	-	-	-	122,500
Total assets	<u>\$ 1,316,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,951,850</u>	<u>\$ 3,268,060</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	\$ 113,860	\$ -	\$ -	\$ -	\$ 113,860
Advance from LEA	-	-	-	122,500	122,500
Total liabilities	<u>113,860</u>	<u>-</u>	<u>-</u>	<u>122,500</u>	<u>236,360</u>
Fund balances:					
Nonspendable: prepaid expenses	57,474	-	-	56,224	113,698
Restricted for debt service	-	-	-	673,050	673,050
Restricted for unspent bond proceeds	-	-	-	1,191,690	1,191,690
Unassigned:	1,144,876	-	-	(91,614)	1,053,262
Total fund balances	<u>1,202,350</u>	<u>-</u>	<u>-</u>	<u>1,829,350</u>	<u>3,031,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,316,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,951,850</u>	<u>\$ 3,268,060</u>

Statement 6

Classical Charter Schools of America, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2022

	Classical Charter Schools of Whiteville				
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
REVENUES					
State of North Carolina	\$ -	\$ 7,330,892	\$ -	\$ -	\$ 7,330,892
Local education agencies	785,742	-	-	-	785,742
U.S. Government	-	-	1,511,729	-	1,511,729
Contributions	23,857	-	-	-	23,857
Rental income	-	-	-	615,439	615,439
Miscellaneous, unrestricted	1,815	-	-	1,286	3,101
Total revenues	811,414	7,330,892	1,511,729	616,725	10,270,760
EXPENDITURES					
Current:					
Instructional programs	306,164	5,361,395	1,124,971	-	6,792,530
Support services	162,517	1,969,497	386,758	6,106	2,524,878
Capital outlay	349,434	-	-	233,271	582,705
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	556,189	556,189
Total expenditures	818,115	7,330,892	1,511,729	795,566	10,456,302
Excess (deficiency) of revenues over (under) expenditures	(6,701)	-	-	(178,841)	(185,542)
OTHER FINANCING SOURCES (USES)					
Other income	40,000	-	-	-	40,000
Transfers from other funds	(1,582)	-	-	-	(1,582)
Total other financing sources (uses)	38,418	-	-	-	38,418
Net change in fund balance	31,717	-	-	(178,841)	(147,124)
Fund balances-beginning	1,170,633	-	-	2,008,191	3,178,824
Fund balances-ending	\$ 1,202,350	\$ -	\$ -	\$ 1,829,350	\$ 3,031,700

Statement 7

Classical Charter Schools of America, Inc.
Combining Statement of Net Position by Proprietary Subfund
June 30, 2022

	Classical Charter Schools of Whiteville
	<u>Enterprise Activities</u>
	<u>School Food Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
Due from other governments	141,402
Accounts Receivable - other (net)	-
Inventories	-
Total current assets	<u>141,402</u>
Non-current assets:	
Capital assets:	
Furniture and office equipment, net	-
Food service equipment	-
Computer equipment, net	-
Total Non-current assets	<u>-</u>
Total assets	<u>141,402</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	6,029
Due to other funds	-
Total current liabilities	<u>6,029</u>
Long-term liabilities:	
Due within one year	-
Due in more than one year	-
Total long-term liabilities	<u>-</u>
Total liabilities	<u>6,029</u>
NET POSITION	
Net invested in capital assets	-
Unrestricted	135,373
Total net position	<u>\$ 135,373</u>

Statement 8

Classical Charter Schools of America, Inc.
Combining Statement of Revenues, Expenditures and Changes in Subfund Net Position
For the Year Ended June 30, 2022

	Classical Charter Schools of Whiteville
	Enterprise Activities
	School Food Service
OPERATING REVENUES	
Lunch sales	\$ -
Before and after school revenue	-
Total operating revenues	-
OPERATING EXPENSES	
Purchase of food	-
Salaries and benefits	33,048
Contracted Services	502,573
Supplies and Materials	3,084
Other expenses	13,697
Total operating expenses	552,402
Operating income (loss)	(552,402)
NON-OPERATING REVENUES (EXPENSES)	
Federal Reimbursements	594,799
Transfers from other funds	1,582
Total non-operating revenue (expenses)	596,381
Income (loss) before contributions and transfers	43,979
Change in net position	43,979
Total net position- beginning	91,394
Total net position - ending	\$ 135,373

Classical Charter Schools of America, Inc.
Combining Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2022

	<u>Classical Charter Schools of Whiteville Enterprise Activities</u>	<u>School Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ -	
Cash paid for goods and services	(513,850)	
Cash paid to employees for services	(33,048)	
Net cash provided (used) by operating activities	<u>(546,898)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Reimbursements	475,327	
Transfers	1,582	
Net cash provided (used) by noncapital financing activities	<u>476,909</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	-	
Acquisition of capital assets	-	
Net cash (used) by capital and related financing activities	<u>-</u>	
Net increase (decrease) in cash and cash equivalents	(69,989)	
Balances-beginning	69,989	
Balances-ending	<u>\$ -</u>	
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (552,402)	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	
Salaries paid by special revenue fund	-	
Changes in assets and liabilities:		
Decrease in accounts receivable	-	
Increase in inventory	-	
Increase (decrease) in accounts payable and accrued liabilities	5,504	
Increase (decrease) in salaries and wages payable	-	
Total adjustments	<u>5,504</u>	
Net cash provided by operating activities	<u>\$ (546,898)</u>	

Classical Charter Schools of America, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2022

Classical Charter Schools of Southport					
State					
	County and Other	Public School	Federal Grants	Capital Outlay	Fund Total
ASSETS					
Cash and cash equivalents	\$ 391,574	\$ -	\$ -	\$ 35,694	\$ 427,268
Restricted cash - debt service	-	-	-	762,790	762,790
Restricted cash - unspent bond proceeds	-	-	-	2,940,697	2,940,697
Due from other governments	196,671	-	-	-	196,671
Accounts receivable - other	146,752	-	-	-	146,752
Prepaid expenses	65,137	-	-	-	65,137
Advance to LLC	83,500	-	-	-	83,500
Total assets	\$ 883,634	\$ -	\$ -	\$ 3,739,181	\$ 4,622,815
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	\$ 132,930	\$ -	\$ -	\$ -	\$ 132,930
Advance from LEA				125,500	125,500
Total liabilities	132,930	-	-	125,500	258,430
Fund balances:					
Nonspendable: prepaid expenses	65,137	-	-	-	65,137
Restricted for debt service	-	-	-	762,790	762,790
Restricted for unspent bond proceeds	-	-	-	2,940,697	2,940,697
Unassigned:	685,567	-	-	(89,806)	595,761
Total fund balances	750,704	-	-	3,613,681	4,364,385
Total liabilities, deferred inflows of resources, and fund balances	\$ 883,634	\$ -	\$ -	\$ 3,739,181	\$ 4,622,815

Classical Charter School of America, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2022

	Classical Charter School of Southport				
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
REVENUES					
State of North Carolina	\$ -	\$ 3,748,785	\$ -	\$ -	\$ 3,748,785
Local education agencies	1,814,374	-	-	-	1,814,374
U.S. Government	59,748	-	268,326	-	328,074
Contributions	-	-	-	-	-
Rental income	-	-	-	697,497	697,497
Miscellaneous, unrestricted	1,763	-	-	1,457	3,220
Total revenues	<u>1,875,885</u>	<u>3,748,785</u>	<u>268,326</u>	<u>698,954</u>	<u>6,591,950</u>
EXPENDITURES					
Current:					
Instructional programs	328,337	3,133,312	250,341	-	3,711,990
Support services	1,515,511	615,473	17,985	6,688	2,155,657
Capital outlay	-	-	-	5,371,038	5,371,038
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	630,347	630,347
Total expenditures	<u>1,843,848</u>	<u>3,748,785</u>	<u>268,326</u>	<u>6,008,073</u>	<u>11,869,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,037</u>	<u>-</u>	<u>-</u>	<u>(5,309,119)</u>	<u>(5,277,082)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bonds	-	-	-	-	-
Transfers from other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>32,037</u>	<u>-</u>	<u>-</u>	<u>(5,309,119)</u>	<u>(5,277,082)</u>
Fund balances-beginning	718,467	-	-	8,923,000	9,641,467
Fund balances-ending	<u>\$ 750,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,613,881</u>	<u>\$ 4,364,385</u>

Statement 12

Classical Charter Schools of America, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2022

	Classical Charter Schools of Wilmington			
	County and	State Public	Federal	Fund Total
	Other	School	Grants	
ASSETS				
Cash and cash equivalents	\$ 22,183	\$ -	\$ -	\$ 22,183
Due from other governments	145,109	-	-	145,109
Accounts Receivable - other (net)	79,037	-	-	79,037
Prepaid expenses	15,549	-	-	15,549
Total assets	<u>\$ 261,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,878</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 15,519	\$ -	\$ -	\$ 15,519
Total liabilities	<u>15,519</u>	<u>-</u>	<u>-</u>	<u>15,519</u>
Fund balances:				
Nonspendable: prepaid expenses	15,549	-	-	15,549
Unassigned:	230,810	-	-	230,810
Total fund balances	<u>246,359</u>	<u>-</u>	<u>-</u>	<u>246,359</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 261,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,878</u>

Statement 13

Classical Charter Schools of America, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2022

	Classical Charter Schools of Wilmington			
	County and Other	State Public School	Federal Grants	Fund Total
REVENUES				
State of North Carolina	\$ -	\$ 887,524	\$ -	\$ 887,524
Local education agencies	365,556	-	-	365,556
U.S. Government	-	-	280,174	280,174
Contributions	200,000	-	-	200,000
Miscellaneous, unrestricted	300	-	-	300
Total revenues	565,856	887,524	280,174	1,733,554
EXPENDITURES				
Current:				
Instructional programs	178,738	858,997	277,070	1,314,805
Support services	378,417	28,527	3,104	410,048
Capital outlay	4,743	-	-	4,743
Debt service:				-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	561,898	887,524	280,174	1,729,596
Excess (deficiency) of revenues over (under) expenditures	3,958	-	-	3,958
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	(3,839)	-	-	(3,839)
Total other financing sources (uses)	(3,839)	-	-	(3,839)
Net change in fund balance	119	-	-	119
Fund balances-beginning	246,240	-	-	246,240
Fund balances-ending	\$ 246,359	\$ -	\$ -	\$ 246,359

Classical Charter Schools of America, Inc.
Combining Statement of Net Position by Proprietary Subfund
June 30, 2022

	Classical Charter Schools of Wilmington		
	Enterprise Activities		
	School Food	Before and	Fund Total
	Service	After School	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,832	\$ 81,081	\$ 89,913
Due from other governments	1,152	-	1,152
Accounts Receivable - other (net)	-	-	-
Inventories	-	-	-
Total current assets	9,984	81,081	91,065
Non-current assets:			
Capital assets:			
Furniture and office equipment, net	-	-	-
Food service equipment	-	-	-
Computer equipment, net	-	-	-
Total Non-current assets	-	-	-
Total assets	9,984	81,081	91,065
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	-	-	-
Due to other funds	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	-	-	-
NET POSITION			
Net invested in capital assets	-	-	-
Unrestricted	9,984	81,081	91,065
Total net position	\$ 9,984	\$ 81,081	\$ 91,065

Classical Charter Schools of America, Inc.
Combining Statement of Revenues, Expenditures and Changes in Subfund Net Position
For the Year Ended June 30, 2022

Classical Charter Schools of Wilmington			
Enterprise Activities			
	School Food	Before and After	
	Service	School	Fund Total
OPERATING REVENUES			
Lunch sales	\$ -	\$ -	\$ -
Before and after school revenue	-	37,133	37,133
Total operating revenues	-	37,133	37,133
OPERATING EXPENSES			
Purchase of food	-	1,586	1,586
Salaries and benefits	16,062	-	16,062
Contracted Services	62,003	-	62,003
Supplies and Materials	735	123	858
Other expenses	-	-	-
Total operating expenses	78,800	1,709	80,509
Operating income (loss)	(78,800)	35,424	(43,376)
NON-OPERATING REVENUES (EXPENSES)			
Federal Reimbursements	74,961	-	74,961
Transfers from other funds	3,839	-	3,839
Total non-operating revenue (expenses)	78,800	-	78,800
Income (loss) before contributions and transfers	-	35,424	35,424
Change in net position	-	35,424	35,424
Total net position- beginning	9,984	45,657	55,641
Total net position - ending	\$ 9,984	\$ 81,081	\$ 91,065

Classical Charter Schools of America, Inc.
Combining Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2022

Classical Charter Schools of Wilmington			
Enterprise Activities			
Before			
School Food	and After	Fund Total	
Service	School		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ 37,133	\$ 37,133
Cash paid for goods and services	(62,738)	(1,709)	(64,447)
Cash paid to employees for services	(16,062)	-	(16,062)
Net cash provided (used) by operating activities	(78,800)	35,424	(43,376)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal Reimbursements	73,909	-	73,909
Transfers	3,839	-	3,839
Net cash provided (used) by noncapital financing activities	77,748	-	77,748
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(1,052)	35,424	34,372
Balances-beginning	9,884	45,657	55,541
Balances-ending	\$ 8,832	\$ 81,081	\$ 89,913
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (78,800)	\$ 35,424	\$ (43,376)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	-	-
Salaries paid by special revenue fund	-	-	-
Changes in assets and liabilities:			
Decrease in accounts receivable	-	-	-
Increase in inventory	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in salaries and wages payable	-	-	-
Total adjustments	-	-	-
Net cash provided by operating activities	\$ (78,800)	\$ 35,424	\$ (43,376)

BUDGET TO ACTUAL SCHEDULES

Classical Charter Schools of America, Inc.
Schedule of Revenues, Expenditures, and
Changes in Subfund Balances - Budget and Actual
All Funds Except for Federal Subfunds and Enterprise Subfunds
For Year Ended June 30, 2022

	Classical Charter Schools of Leland			Classical Charter Schools of Whiteville			Classical Charter Schools of Southport			Classical Charter Schools of Wilmington		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
State of North Carolina	\$7,094,848	\$7,094,848	\$ -	\$7,330,891	\$7,330,891	\$ -	\$3,748,785	\$3,748,785	\$ -	\$897,524	\$897,524	\$ -
Local education agencies	2,892,637	2,890,412	(2,225)	788,565	785,742	(2,823)	1,815,555	1,814,374	(1,181)	365,556	365,556	-
U.S. Government	-	22,710	22,710	-	23,857	23,857	-	59,748	59,748	-	200,000	200,000
Donations - general	-	180,145	(22,497)	94,038	1,815	(92,223)	60,425	1,763	(58,662)	245,460	300	(245,160)
Miscellaneous, unrestricted	202,642	-	(22,497)	-	-	-	-	-	-	-	-	-
Total revenues	10,190,127	10,185,115	(2,012)	8,213,494	8,142,305	(71,189)	5,624,765	5,624,670	(95)	1,458,540	1,453,380	(45,160)
Expenditures:												
Salaries, Bonuses & Benefits	4,651,473	4,651,473	-	3,631,168	3,631,168	-	2,320,204	2,320,204	-	692,264	692,264	-
Books & Supplies	350,550	350,550	-	281,741	281,741	-	239,448	239,448	-	47,246	47,246	-
Technology	70,032	70,032	-	68,658	68,658	-	18,280	18,280	-	17,600	17,600	-
Non-Cap Equipment & Leases	104,939	104,939	-	58,675	58,675	-	-	-	-	11,900	11,900	-
Contracted Student Services	921,276	921,276	-	804,517	804,517	-	546,840	546,840	-	147,813	147,813	-
Staff Development	3,950	3,950	-	3,839	3,839	-	844	844	-	750	750	-
Administrative Services	2,839,776	2,723,349	116,427	2,046,556	1,593,448	453,108	1,343,943	1,387,100	(43,157)	376,331	356,659	19,672
Insurance	84,794	84,794	-	97,200	97,200	-	62,100	62,100	-	41,725	41,725	-
Rents & Debt Service	768,470	768,470	-	615,914	615,914	-	697,822	697,822	-	1	1	-
Capital Purchases	18,013	174,257	(156,244)	3,125	423,542	(420,417)	115,925	115,925	-	-	4,743	(4,743)
Facilities Repairs & Maintenance	203,621	203,621	-	327,819	327,819	-	110,340	110,340	-	41,848	41,848	-
Utilities	113,350	113,350	-	147,385	147,385	-	80,730	80,730	-	52,875	52,875	-
Nutrition & Food	18,400	18,400	-	-	-	-	12,225	12,225	-	-	-	-
Before & After Care	-	-	-	975	975	-	225	225	-	20,450	20,450	-
COVID-19	-	-	-	92,925	92,925	-	650	650	-	13,750	13,750	-
Transportation & Travel	21,250	21,250	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,170,894	10,210,711	(39,817)	8,181,637	8,148,086	33,551	5,543,476	5,592,635	(49,157)	1,464,351	1,449,422	14,929
Excess (deficiency) of revenues over (under) expenditures	19,233	(22,596)	(41,829)	31,797	(6,701)	(38,499)	75,289	32,037	(43,252)	34,189	3,958	(30,231)
Other financing sources (uses):												
Transfers from other funds	-	-	-	-	38,418	(38,418)	-	-	-	-	(3,899)	3,899
Proceeds from bonds	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated fund balance	(19,233)	-	(19,233)	(31,797)	-	(31,797)	(75,289)	-	(75,289)	(34,189)	-	(34,189)
Total other financing sources and (uses)	(19,233)	-	(19,233)	(31,797)	38,418	(70,215)	(75,289)	-	(75,289)	(34,189)	(3,899)	(30,350)
Net change in fund balances	\$ -	(22,596)	\$ (22,596)	\$ -	31,717	\$ 31,717	\$ -	32,037	\$ 32,037	\$ -	119	\$ 119
Fund balances, beginning	3,187,270	3,187,270		1,170,633	1,170,633		718,467	718,467		246,240	246,240	
Fund balances, ending	\$3,184,674	\$3,164,674		\$1,202,350	\$1,202,350		\$750,504	\$750,504		\$246,359	\$246,359	

Classical Charter Schools of America, Inc.
Schedule of Revenues, Expenditures, and
Changes in Subfund Balances - Budget and Actual
Special Revenue Subfund - Federal Grants
For Year Ended June 30, 2022

	Classical Charter Schools of Leland			Classical Charter Schools of Whiteville			Classical Charter Schools of Southport			Classical Charter Schools of Wilmington		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
U.S. Government	\$1,031,962	\$1,031,962	\$ -	\$1,511,729	\$1,511,729	\$ -	\$268,326	\$268,326	\$ -	\$280,174	\$280,174	\$ -
Total revenues	1,031,962	1,031,962	-	1,511,729	1,511,729	-	268,326	268,326	-	280,174	280,174	-
Expenditures:												
Salaries & Benefits	793,246	793,246	-	1,082,557	1,082,557	-	229,501	229,501	-	274,716	274,716	-
Salaries & Bonuses and Benefits	793,246	793,246	-	1,082,557	1,082,557	-	229,501	229,501	-	274,716	274,716	-
Total Salaries & Benefits	6,050	6,050	-	7,484	7,484	-	2,127	2,127	-	2,354	2,354	-
Books & Supplies	4,875	4,875	-	1,500	1,500	-	637	637	-	-	-	-
Contracted Student Services	-	-	-	511	511	-	581	581	-	-	-	-
Staff Development	26,454	26,454	-	112,785	112,785	-	17,985	17,985	-	3,104	3,104	-
Facilities	7,346	7,346	-	-	-	-	-	-	-	-	-	-
Insurance	86,468	86,468	-	86,467	86,467	-	-	-	-	-	-	-
Technology	93,912	93,912	-	240,425	240,425	-	17,495	17,495	-	-	-	-
Capital Purchases	13,611	13,611	-	-	-	-	-	-	-	-	-	-
Non-Cap Equipment & Leases	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,031,962	1,031,962	-	1,511,729	1,511,729	-	268,326	268,326	-	280,174	280,174	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Other financing sources (uses):												
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Note payable issued	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated fund balance	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances, beginning	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Classical Charter Schools of America, Inc.
School Food Service
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For Year Ended June 30, 2022

	Classical Charter Schools of Whiteville			Classical Charter Schools of Wilmington		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:						
Lunch sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total operating revenues	-	-	-	-	-	-
Operating Expenditures:						
Contracted Food Services	450,000	502,573	(52,573)	161,783	82,003	99,780
Other Expenses	6,077	16,781	(10,704)	5,261	735	4,526
Salaries and benefits	-	33,048	(33,048)	-	16,062	(16,062)
Total operating expenditures	456,077	552,402	(96,325)	167,044	78,800	88,244
Operating Income (Loss)	(456,077)	(552,402)	96,325	(167,044)	(78,800)	(88,244)
Nonoperating revenues (expenses)						
Federal reimbursements	450,000	594,799	(144,799)	161,783	74,961	86,822
Unappropriated fund balance	6,077	-	6,077	5,261	-	5,261
Transfers from other funds	-	1,582	(1,582)	-	3,839	(3,839)
Total other financing sources	456,077	596,381	(140,304)	167,044	78,800	88,244
Excess of revenues and other sources over expenditures	\$ -	43,979	\$ 43,979	\$ -	-	\$ -
Reconciliation from budgetary basis (modified accrual) to full accrual:						
Reconciling Items:						
Depreciation		-			-	
Capital Outlay		-			-	
Change in net position (full accrual)		43,979			-	
Total net position, beginning		91,394			9,984	
Total net position, ending		\$ 135,373			\$ 9,984	

Classical Charter Schools of America, Inc.
Before and After School
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For Year Ended June 30, 2022

	Classical Charter Schools of Wilmington		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
	\$ -	\$ 37,133	\$ 37,133
Total operating revenues	-	37,133	(37,133)
Operating Expenditures:			
Other Food Purchases	-	1,586	(1,586)
Salaries and Fringe Benefits	21,000	-	-
Supplies and Materials	-	123	(123)
Total operating expenditures	21,000	1,709	19,291
Operating Income (Loss)	(21,000)	35,424	(56,424)
Nonoperating revenues (expenses)			
Federal reimbursements	-	-	-
Unappropriated fund balance	21,000	-	(21,000)
Transfers from other funds	-	-	-
Total other financing sources	21,000	-	(21,000)
Excess of revenues and other sources over expenditures	\$ -	35,424	\$ (35,424)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
(Increase) in due from other governments		-	-
Increase (decrease) in accounts payable and accrued liabilities		-	-
Change in net position (full accrual)		35,424	
Total net position, beginning		45,657	
Total net position, ending		\$ 81,081	

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2022

PM&P

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees
Classical Charter Schools of America, Inc.
Leland, North Carolina

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Classical Charter Schools of America, Inc. as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Classical Charter Schools of America, Inc.'s basic financial statements, and have issued our report thereon dated November 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Classical Charter Schools of America, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Classical Charter Schools of America, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

www.pmpcpa.com

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Classical Charter Schools of America, Inc.'s statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 30, 2022

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance in Accordance with Uniform Guidance
and the State Single Audit Implementation Act**

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

To the Board of Trustees
Classical Charter Schools of America, Inc.
Leland, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Classical Charter Schools of America, Inc.'s (the School) compliance with the types of compliance requirements described in the *U.S. Code of Federal Regulations (CFR)* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Classical Charter Schools of America, Inc.'s major federal programs for the year ended June 30, 2022. Classical Charter Schools of America, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Classical Charter Schools of America, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Classical Charter Schools of America, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Classical Charter Schools of America, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Classical Charter Schools of America, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Report on Internal Control Over Compliance

Management of Classical Charter Schools of America, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Classical Charter Schools of America, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 30, 2022

**Report on Compliance for Each Major State Program and on Internal Control
over Compliance in Accordance with Uniform Guidance and the State Single
Audit Implementation Act**

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees
Classical Charter Schools of America, Inc.
Leland, North Carolina

C. Briggs Petway, Jr.
Phyllis M. Pearson

Report on Compliance for Each Major State Program

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

We have audited Classical Charter Schools of America, Inc.'s compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on Classical Charter Schools of America, Inc.'s major State program as of and for the year ended June 30, 2022. Classical Charter Schools of America, Inc.'s major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Classical Charter Schools of America, Inc.'s major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Classical Charter Schools of America, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of Classical Charter Schools of America, Inc.'s compliance.

Opinion on Each Major State Program

American Institute
of Certified Public
Accountants

In our opinion, Classical Charter Schools of America, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program as of and for the year ended June 30, 2022.

Report on Internal Control over Compliance

Management of Classical Charter Schools of America, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Classical Charter Schools of America, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 30, 2022

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency (ies) identified
that are not considered to be
material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency (ies) identified
that are not considered to be
material weaknesses? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required
to be reported in accordance with
Uniform Guidance

☐ yes ☒ no

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA No.</u>
National School Lunch Program	10.555
Education Stabilization Fund	84.425

Dollar threshold used to distinguish between
Type A and Type B Programs

\$ 750,000

State Awards

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency (ies) identified
that are not considered to be
material weaknesses? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major State programs: Unmodified.

Any audit findings disclosed that are required
to be reported in accordance with
Uniform Guidance

☐ yes ☒ no

Identification of major State programs:

<u>Program Name</u>
State Public School Funds (PRC 036 - Charter School Funds)

CLASSICAL CHARTER SCHOOLS OF AMERCIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CLASSICAL CHARTER SCHOOLS OF AMERCIA, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required.

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None required.

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

There were no findings for the fiscal year ended June 30, 2021.

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	ASSISTANCE LISTING NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Special Education Cluster			
IDEA VI B Special Needs Targeted Assistance	84.027	PRC 118	\$ 6,974
IDEA, Part B	84.027	PRC 060	501,144
IDEA Part B Handicapped	84.027	PRC 108	60,144
IDEA Part B Preschool	84.173	PRC 049	8,305
Total Special Education Cluster			576,567
Supporting Effective Instruction, Title II Part A	84.367	PRC 103	87,069
Rural Education Cluster			
Direct Program			
Small Rural Schools Achievement Program	84.358	PRC 101	59,748
Total Rural Education Cluster			59,748
Education Stabilization Fund			
CARES Act - K-12 Emergency Relief Fund	84.425	PRC 163	62,369
Exceptional Children Grants	84.425	PRC 167	2,884
Specialized Instructional Support for Personnel	84.425	PRC 169	7,012
Supplemental Instructional Services	84.425	PRC 170	10,741
K-12 Emergency Relief Fund	84.425	PRC 171	1,027,418
ARP K-12 Emergency Relief Fund	84.425	PRC 181	628,723
ARP - IDEA, Part B	84.425	PRC 185	20,911
ARP - Early Grades Part B	84.425	PRC 188	944
COVID-19 Student Enrollment Increase	84.425	PRC 202	7,800
Supplemental K12 Emergency Relief Fund	84.425	PRC 203	70,002
Total Education Stabilization Fund			1,836,804
Title I, Part A Cluster			
Title I - LEA Basic Funding	84.010	PRC 050	562,362
Total Title I, Part A Cluster			562,362
Total US Department of Education			3,122,550
<u>US Department of Agriculture</u>			
Passed Through the NC Department of Public Instruction			
National School Lunch Program	10.555	PRC 035	562,402
TOTAL FEDERAL CASH ASSISTANCE			3,674,952
STATE OF NORTH CAROLINA GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Program		PRC 016	90,815
State Public School Fund		PRC 036	18,305,203
Teacher Compensation		PRC 036	205,619
School Connectivity/Erate		PRC 036	24,736
Early Literature		PRC 036	9,725
Reading Devices		PRC 036	9,725
Early Literacy		PRC 036	17,548
State Recovery Bonus		PRC 141	398,678
TOTAL STATE CASH ASSISTANCE			19,062,049
TOTAL FEDERAL AND STATE AWARDS			\$ 22,737,001

Note to the Schedule of Expenditures of State Financial Awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of Classical Charter Schools of America, Inc. as of June 30, 2022 and is presented on the accrual basis of accounting. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Classical Charter Schools of America, Inc., it is not intended to and does not present the financial position, changes in net position or cash flows of Classical Charter Schools of America, Inc..

Indirect Costs

The School has not elected to charge a 10% de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Summary of Accounting Policies

Expenditures reported in the schedule of expenditures of federal and State awards are reported on the accrual basis of accounting.